

OFFICE OF THE AUDITOR GENERAL

1986-87 Annual Report

A Report to the California Legislature

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

1986-87 ANNUAL REPORT

OCTOBER 1987

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THE OFFICE OF THE AUDITOR GENERAL

The Office of the Auditor General is the auditing and investigative arm of the California Legislature. It is the only auditing organization in the State with the authority to review programs of state executive agencies and other agencies that receive state money. As the population and government of the State have increased, so too have the activities and responsibilities of the Office of the Auditor General.

The activities of the office are guided by Sections 10500 et seq. of the Government Code. The office also adheres strictly to the auditing standards promulgated by the United States General Accounting Office and the American Institute of Certified Public Accountants. Following these standards, the Office of the Auditor General conducts performance, financial, and investigative audits that provide the Legislature and the citizens of California with objective information about the State's financial condition and the performance of the State's agencies and programs. In this way, the office aids the Legislature in ensuring that state government is accountable to California taxpayers. In fact, since 1980, the office has made recommendations that would save the State over \$490 million; hundreds of other recommendations have been directed at improving the efficiency and effectiveness of state government.

Before the Office of the Auditor General begins an audit or an investigation, the audit must first be approved by the Joint Legislative Audit Committee. However, once the office undertakes an

assignment, it assumes full responsibility to independently audit an issue and to report its findings in accordance with nationally recognized auditing standards. These standards require, among other things, that the Auditor General independently hire staff, determine scope and methodology, and report findings and conclusions.

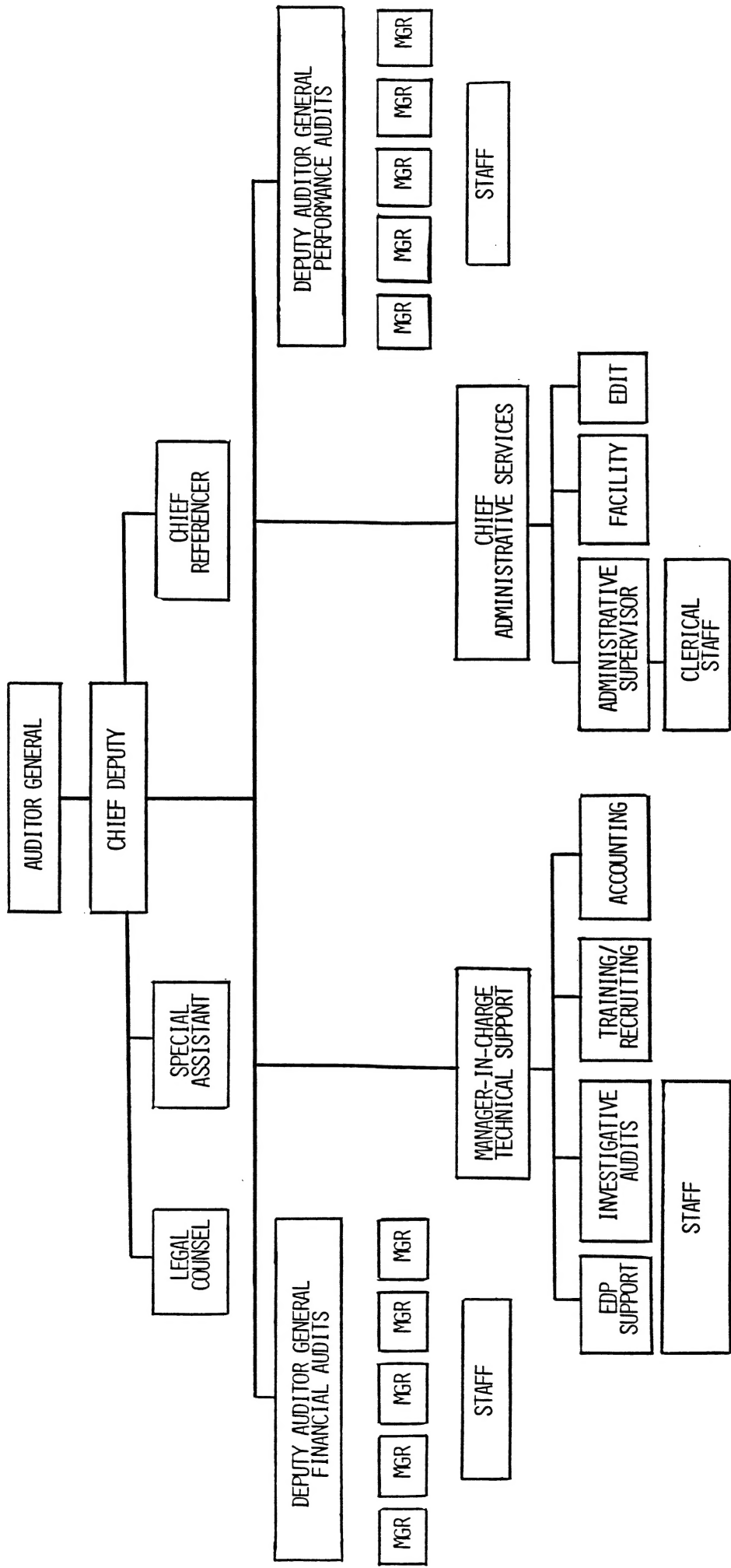
Organization of the Office of the Auditor General

Audit staff are assigned to three divisions in the Office of the Auditor General: the Financial Audit Division, the Performance Audit Division, and the Investigative Unit, which differ in the type of audits they perform. The Financial Audit Division conducts the annual comprehensive audit of the State's General Purpose Financial Statements and a number of additional audits of specific state programs. This division is staffed entirely by auditors who are certified public accountants or who are working toward this certification. Generally, auditors in the Financial Audit Division hold bachelor's degrees in accounting. The Performance Audit Division assists the Legislature in determining whether state agencies or other entities receiving state funds are conducting their programs efficiently and effectively. Performance audits typically recommend changes in procedures that should result in cost savings or that should enable an agency to function more effectively. Generally, auditors in the Performance Audit Division hold master's degrees, usually in business or public administration. Finally, the Investigative Unit investigates allegations of fraud, waste, and abuse in state government. Its staff

are selected from among experienced staff in the Financial or Performance Audit Divisions.

The chart that follows graphically depicts the organization of the audit, administrative, and support staffs in the Office of the Auditor General.

OFFICE OF THE AUDITOR GENERAL



Recruiting and Training Staff

Under the guidance of the director of recruitment, the Office of the Auditor General recruited prospective candidates at public and private college campuses in California, Arizona, Nevada, Washington, and Utah. Nearly 80 percent of our applicants apply through our campus recruiting program. In addition to interviewing on college campuses, the office recruitment program includes participating in career fairs, providing speakers for college classes and groups, inviting student groups to tour the office, and sponsoring a summer internship program.

The hiring process for new auditors is a rigorous one. Applicants who appear to meet minimum criteria are granted a screening interview, and, if they pass this interview, are invited to take a writing test. Those who successfully complete the writing test are interviewed a second time in our Sacramento office. Only applicants who successfully complete this process receive job offers.

In addition to their strong academic backgrounds, the audit staff in the Office of the Auditor General have a wide variety of professional experience. They have been teachers, attorneys, social workers, business people, and military officers. Twenty-eight auditors are certified public accountants and more than one-half hold graduate degrees.

The Office of the Auditor General is committed to providing a strong training program to new and continuing employees. Twice a year, the Office of the Auditor General conducts a training program for recently hired auditors. The training comprises nearly two weeks of workshops and seminars that provide a foundation for performing audit work. The program includes an overview of state government, an introduction to financial systems, and training in library research, interviewing, and written communications. The office also provides 40 hours of continuing education for all staff each year. Staff may choose from a variety of courses intended to enhance their computer skills, expose them to innovations in management systems, augment their auditing skills, improve their communication skills, and prepare them for supervisory responsibilities.

1986-87 Summary of Activities

In fiscal year 1986-87, the Office of the Auditor General issued 45 audit reports. (See the Catalog of Audit Reports for a list of these reports, by subject.) The Auditor General also provided testimony before legislative committees on numerous issues related to the audits. The audits in this fiscal year covered a wide range of topics, from expenditures for research on the acquired immune deficiency syndrome to the financial condition of the State's local school districts. The office's most comprehensive audit continues to be its review of the State's General Purpose Financial Statements. As a result of this audit, the Office of the Auditor General issued 37

letters to state agencies that detailed weaknesses in their internal controls; if these weaknesses are corrected, the State could save millions of dollars each year. In addition, through this audit, the State continues to comply with the federal requirement that states conduct organization-wide audits as a condition of receiving federal funds.

The Office of the Auditor General also issued three reports on hazardous waste disposal in fiscal year 1986-87; two of these audits were requested by the Governor. These two reports pinpointed weaknesses in the personnel practices of the State's hazardous waste management program and identified an estimated \$1.7 million that the State has not received to conduct preliminary assessments and an estimated \$33.5 million in federal funds it may not receive to clean up hazardous waste sites.

The audits conducted in fiscal year 1986-87 included recommendations that, when fully implemented, should save the State over \$17.9 million in the first year after implementation. By implementing our recommendations, state agencies should save an additional \$7.1 million annually. Our comprehensive audit enables the State to remain eligible for the \$12 billion in federal grant funds that the State receives annually and ensures a continued bond rating from the international bond-rating companies, thus saving millions of dollars in future interest.

Not all of our reports yield savings that are easy to quantify; the reports also make recommendations that result in improved controls, increased effectiveness, and more efficient use of state resources. For example, the State loses millions of dollars annually in foregone interest, bad debts, and lost assets because of weaknesses in internal control systems. Our audits have identified inadequacies in billing and collecting, in accounting for property, and in monitoring expenditures. While the opportunity to recover past losses is limited, the State can prevent many losses in the future by implementing the tighter controls that the Auditor General has recommended.

This report summarizes the results of our audit work and the actions taken by agencies in response to our audit reports. Our discussion is organized around the following general subjects: Fiscal Controls; Health and Social Services; Education; Corrections; Consumer Services, Business, and Transportation; Resources and the Environment; and Investigations of Fraud, Waste, and Abuse.

FISCAL CONTROLS

The Office of the Auditor General issued the following 11 reports in fiscal year 1986-87 that focused on the fiscal controls or financial operations of various state agencies and programs:

The State of California Should Improve Its Internal Audit Capabilities	F-499
State Agencies Need To Improve Their Cash Management Procedures	F-506
Audit of the Department of Economic Opportunity	F-511
State of California Financial Report Year Ended June 30, 1986	F-600
Status Report and Financial Audit Report of the California Exposition and State Fair, Year Ended June 30, 1986	F-618
California Student Aid Commission State Guaranteed Loan Reserve Fund Financial Audit Report Years Ended June 30, 1985 and 1986	F-628
Statewide Review of Overtime and Travel Controls	P-629.2
The State of California Should Further Improve Controls Over Financial Operations	F-644
Evaluation of California's Plans, Policies, and Procedures for Developing and Managing Its Information and Telecommunications Systems	P-611
An Evaluation of the Financial Reporting System of the State of California	F-626
State of California Statement of Security Accountability of the State Treasurer, June 30, 1986	F-631

In these audits, we identified in many state agencies weaknesses that result in poor control over fiscal operations such as cash management, internal audits, and overtime and travel compensation.

For example, in Report F-499, we noted that the internal audit units in many of the departments are not organizationally independent of the activities they audit, and, therefore, may not render impartial judgements. We also found that the scope of audits performed by the internal audit units is often too narrow and that the auditors are not always properly skilled or trained to audit particular operations, such as data processing.

In another multi-agency review, we identified six agencies that were not using the billing, collection, or depositing procedures required by the State Administrative Manual (Report F-506). As a result, in fiscal years 1984-85 and 1985-86, the State lost a total of \$660,000 in interest, revenues, and penalties.

In Report F-600, we presented the results of our Financial and Compliance Single Audit for the fiscal year that ended on June 30, 1986. The audit was conducted in accordance with generally accepted auditing standards and meets the requirements set forth by the United States government as a condition for receiving over \$12 billion in federal funds annually.

Report F-644 details the weaknesses we noted during our comprehensive audit of the State's financial operations. Although we found that the State has corrected some of the internal control weaknesses we have reported in recent years, the State needs to make additional improvements in its accounting, auditing, and administrative

control systems. For example, the State lost at least \$2.5 million in forgone interest, will not be able to collect approximately \$4.1 million in receivables, and is unlikely to be able to collect an additional \$5.1 million. In addition, state agencies continue to be late in issuing annual financial statements, and they have weaknesses in revenue collection, expenditure controls, EDP controls, and internal audit activities. Finally, agencies did not comply with all state regulations that affect the State's financial statements, nor did they comply with all federal regulations for administering federal grants. As a result of its weaknesses in financial reporting, the State failed to qualify for a Certificate of Achievement for Excellence in Financial Reporting.

To determine why state agencies are often late in submitting their annual reports, we contracted with Price Waterhouse to study the reporting process. According to Price Waterhouse (Report F-626), several conditions contribute to the agencies' delays in submitting annual reports, including the following: (1) agencies do not perform monthly reconciliations promptly, (2) agencies receive too little assistance from knowledgeable staff in the control agencies, (3) accounting staff believe they are not adequately trained in certain areas of the process, and (4) the Legislature has not established firm deadlines for reports prepared by the State Controller's Office and the Office of the Auditor General.

The agencies whose cash management procedures we reviewed implemented several of the recommendations we made in Report F-506. For example, the California State University has purchased a computer software system that will enable its campuses to automate cash management. In response to our recommendation, the Department of Forestry established a formal collection procedure, including sending collection letters at 30-day intervals, to improve the collection of past-due receivables.

The agencies we reviewed in Report F-499 have implemented many of the recommendations we made in that report. For example, the Department of Consumer Affairs has revised its schedule to allow for prompt followup on audit recommendations. To ensure the independence of its internal audits, the Department of General Services now addresses all audit reports to the department's director and annually submits an audit plan to the chief deputy director for approval. The Board of Equalization, in response to our report, has increased its budget to train audit staff and has implemented formal training sessions. Similar actions were taken by the remaining agencies we audited: Department of Finance, Department of Developmental Services, Employment Development Department, Department of Rehabilitation, State Department of Education, and Department of Parks and Recreation.

HEALTH AND SOCIAL SERVICES

In fiscal year 1986-87, the Office of the Auditor General issued the following reports that related to the health or health care of Californians or to social service programs:

The Employment Development Department Needs To Improve Its Disability Insurance Program	P-430
The Department of Social Services Does Not Use Information From Its Audits To Adjust Rates for Group Homes That Receive Funds From the Aid to Families With Dependent Children-Foster Care Program	P-540
The Department of Health Services Could Increase Its Recovery of Medi-Cal Payments By \$3 Million	P-566
The State's Hazardous Waste Management Program Needs To Improve Its Personnel Practices and Community Relations	P-582.4
The State Can Do More To Encourage Alternatives to the Land Disposal of Hazardous Waste, Improve Waste Classification, and Pursue Federal Funds for Site Cleanup	P-582.5
The Department of Corporations' Administration of Conversions of Health Care Service Plans to For-Profit Status	F-606
The Department of Social Services Could Reduce Costs and Improve Compliance With Regulations of the In-Home Supportive Services Program	P-630
The Welfare Fraud Early Detection/Prevention Programs in Orange, Sacramento, and Tulare Counties	P-638
A Review of the State's Spending Related to the Acquired Immune Deficiency Syndrome	P-658
The State Department of Education's Verification of AFDC Enrollment In State Child Care Programs	P-639
The Registration and Monitoring of Underground Storage Tanks That Contain Hazardous Material	P-659
The Department of Social Services Could Have Assisted Flood Victims More Quickly	P-661

These audits uncovered several conditions that jeopardize the efficiency and economy of state programs or that threaten the well-being of the Californians the programs are designed to protect. For example, we reported that the Department of Health Services, which is responsible for administering the hazardous waste management program, is not doing enough to encourage alternatives to the land disposal of hazardous waste and to develop better methods for establishing priorities and applying for federal funds (Report P-582.5). Because the department is not classifying wastes within the mandated time period, we concluded that companies would incur an estimated \$22 million in additional costs in fiscal year 1986-87. In addition, as a result of not actively pursuing federal funds, the State has not yet received up to \$1.7 million for preliminary assessments of sites and may not receive up to \$33.5 million in federal funds to clean up sites.

After a review of the Department of Health Services' Medi-Cal program, we reported that the department could increase its recovery of Medi-Cal payments by \$3 million annually (Report P-566). For example, the department could increase its recovery from health care providers who should have been paid by Medicare. The department also paid some providers more than they were entitled to because it did not meet a federal deadline. We also reported that the department could increase its recovery of Medi-Cal payments by limiting the eligibility of beneficiaries who transfer ownership of their principal residences.

In Report P-540, we reported that the Department of Social Services has not audited all group homes that receive funds from Aid to Families With Dependent Children and does not use the audits it does perform to verify allowable costs or to adjust group home rates. We calculated that 85 of the 158 group homes we reviewed may have been overpaid as much as \$14.7 million. In another audit of the Department of Social Services (Report P-661), we reported that the department was not as prompt as it should have been in granting financial assistance to victims of the floods of 1986. In some instances, the department prematurely denied the applications of victims who were later found to be eligible.

In each of these audits, we made recommendations that could greatly improve the efficiency of the programs, save the State money, and further protect the interests of Californians. Many of these recommendations have already been implemented. For example, in response to our recommendations in Report P-582.5, the Department of Health Services has devised a new method for establishing priorities for the cleanup of hazardous waste sites and has requested funds to hire five new technical staff to classify waste. The department has also requested funds to hire a full-time librarian for its Technical Reference Center.

In response to our recommendations in Report P-566, the Department of Health Services has increased its use of procedures to identify and offset debts of health care providers. Since

February 1987, the department has collected over \$250,000 as a result of sending final notices to providers; those providers not responding have been referred to the Medi-Cal fiscal intermediary.

Finally, the Department of Social Services has implemented or begun to implement each of the recommendations we made in Report P-661. The department has established a procedure for hiring disaster workers from existing state service lists and will create a pool of individuals from which to draw when the need arises. The department will also take advantage of new regulations issued by the Federal Emergency Management Agency that the department believes will speed up the processing of grant applications. Finally, the department will use "collateral contacts" to help applicants complete paperwork and plans to review its application forms to ensure that they are clearly worded.

EDUCATION

In fiscal year 1986-87, we issued the following reports on educational institutions or on issues related to education:

A Review of the Hughes-Hart Educational Reform Act (SB 813)	P-510
Review of the State and Federal Grants and Contracts Awarded to the University of Southern California for the Family Practice Residency Training Program	F-622
Hastings College of the Law Needs To Improve the Management of Its Real Property	P-624
A Review of High School Graduation Requirements for Special Education Students in Nine School Districts	P-627
Review of the Fiscal and Administrative Management of the California State University, Long Beach Foundation, and the California State University, Long Beach	F-633
California Needs To Do More To Evaluate the Effectiveness of Vocational Education Programs	P-509
A Review of the Financial Condition of School Districts, County Offices of Education, and Community College Districts in California	F-637
A Review of the Costs of Providing Noneducational Services to Special Education Students	P-640
Better Fiscal Controls Are Needed at the University of California, Santa Barbara, and the UCSB Foundation	P-663

Our audits of educational institutions and programs covered a wide range of issues. For example, we reviewed the proficiency standards used by nine school districts for granting diplomas to high school students in special education programs (Report P-627). We found that the districts have complied with the Education Code in adopting

and applying these standards. In Report P-509, on the other hand, we reported that community college districts and regional occupational programs do not always survey labor markets and evaluate courses and programs, as required by law. Therefore, they cannot be assured that the vocational educational programs offered meet the needs of the job market in California.

In Report P-663, we reported that weak management controls at the University of California, Santa Barbara, had serious consequences. For example, the university inappropriately spent at least \$271,240 for repairs and improvements to the personal residence of the former chancellor; an employee embezzled an estimated \$250,000; and the university paid over \$70,000 for consulting contracts but has no evidence that the work was actually performed. This audit also identified management weaknesses in the UCSB Foundation. For example, because the foundation did not use accepted lending practices, it lost over \$100,000. The foundation also spent up to \$130,200 of its restricted and endowment funds for loans and \$20,000 for a political contribution.

We also reported on the financial condition of school districts, county offices of education, and community college districts in the State (Report F-637). In our review of 132 of these local educational agencies (LEAs), we found that 31 had low reserves and 15 had repeatedly spent more than they received in revenue. As a result of this trend, since fiscal year 1981-82, the State has approved

emergency loans totaling \$23.9 million to 12 LEAs. We reported that these problems occur because some LEAs base their budgets on inaccurate estimates of their revenue and expenditures and because some LEAs use their general fund to pay for overspending in other funds and because the LEAs grant salary increases that are larger than the increases in revenue used to pay the salaries. Excessive administrative costs and declining attendance have also contributed to the declining reserves in some of the LEAs.

The University of California, which generally concurred with the recommendations we made in Report P-633, has implemented or begun to implement many of them. For example, the university, through the Santa Barbara County District Attorney's Office, is seeking restitution from the contractors who overcharged the university and from the employee who entered into collusion with them. To prevent a recurrence of this situation, the university now requires two signatures on work verification statements. The university has also begun attempts to recover items from the former chancellor that were inappropriately paid for by the university and to obtain from him all personal property owned by the university. In addition, the university has either established procedures or improved its monitoring of procedures already in place to improve its controls over contracts, expenditures, loans, the use of consultants. The university has also increased its monitoring of the activities of the UCSB Foundation.

In response to our recommendations in Report F-637, the State Department of Education has provided the local educational agencies with detailed definitions of employee categories and has highlighted administrative assignment codes to facilitate more accurate reporting.

CORRECTIONS

We issued three reports in fiscal year 1986-87 that concerned the State's prisons or its corrections policies:

A Review of the Department of Corrections' Program Management and Construction Management Contracts	P-569
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Preventing the Placement of Potentially Violent Juveniles and Adults in Minimum Security Correctional Facilities	P-642
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A Review of the Department of Corrections' Selection of a Prison Site in Los Angeles County	P-655
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In Report P-569, we pointed out that the Department of Corrections is not adequately preparing for contract negotiations with the program management and construction management firms that it employs to construct new prisons. In fiscal years 1984-85 and 1985-86, the department could have saved a total of \$941,000 and still provided the contractors a reasonable rate of return.

In Report P-642, we discussed the placement criteria used by the California Department of the Youth Authority (CYA) and by the Department of Corrections (CDC) for assigning wards and inmates to prison programs. Our audit revealed that the CYA relies too heavily on staff judgements in determining the security level of its wards. The CDC, in contrast, uses a point system to determine an inmate's security risk. While the CYA does not always check a ward's criminal background in other states before assigning him or her to a program, the CDC routinely obtains this historical information before assigning inmates.

In Report P-655, we presented the results of our review of the Department of Corrections' procedures in searching for a site for its Level III prison in Los Angeles County. We reported that the department did not follow its established procedures in selecting the Crown Coach site. We also reported that appraisers who estimated the market value of the Crown Coach site did not consider the effect of either the hazardous waste contamination on adjacent property or the potential contamination on the selected site.

The Department of the Youth Authority has implemented many of the recommendations we made in Report P-642. For example, the department now reviews FBI records or criminal records from other states before placing wards in limited security programs. The agency is also studying classification systems used throughout the nation to evaluate its own judgment-based system. The Department of Corrections, in response to our recommendations, maintains notices in each inmate's file that indicate whether or not the inmate has an FBI record. The department has also developed procedures to obtain FBI reports on inmates whose files do not have them and to reclassify the inmates when necessary.

CONSUMER SERVICES, BUSINESS, AND TRANSPORTATION

In fiscal year 1986-87, the Office of the Auditor General issued the following reports on agencies that administer consumer service programs or business and transportation programs:

A Review of the Enterprise Zone Act	P-442
The Bureau of Automotive Repair Could Improve Its Administration of the Smog Check Program	P-464
Follow-up Review of the Department of Transportation's Contract for the I-580 Interchange in Castro Valley	P-523
A Review of the Department of Fair Employment and Housing	P-636
The Department of Insurance Needs To Further Improve and Increase Its Regulatory Efforts	P-650
A Review of the Potential Conflict of Interest at the California Transportation Commission	P-723

In Report P-464, we reviewed the Bureau of Automotive Repair's Smog Check Program, which accounted for 78 percent of its budget in fiscal year 1986-87. According to our review, too many vehicles tested do not meet the program's testing standards and receive "cost-exceedence waivers"; at least 11 percent of the exemptions granted from smog check requirements are invalid; and the bureau does not thoroughly monitor contracts with smog check providers.

Our review of the Department of Fair Employment and Housing (Report P-636) revealed no weaknesses in the system the department uses for accepting, processing, and resolving complaints of discrimination.

In Report P-650, we noted several weaknesses in the Department of Insurance's rate examination procedures. For example, approximately one-half of the property/casualty insurance companies subject to examination have never been examined, and the department has taken formal disciplinary action against an insurance company only once. We also reported delays in the department's processing of applications.

In response to our audit of the Smog Check Program, the Bureau of Automotive Repair established a "contract administrator" position and has established other procedures to improve the monitoring of its contracts. This report has also provided the Legislature with useful, impartial data for determining whether the repair cost limit needs to be increased.

RESOURCES AND THE ENVIRONMENT

In fiscal year 1986-87, the Office of the Auditor General reviewed two agencies that deal with the State's environmental resources:

A Review of the Port of San Francisco's State Bond Obligations and Competitive Trade Position	P-635
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A Review of the Department of Fish and Game	F-669
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In Report P-635, we reported that the Port of San Francisco can meet its general obligation bond payments if its revenues continue to exceed its expenses. Discontinuing the development of the Ferry Building Complex will not hinder the Port's ability to meet its state bond payments because the Port receives more from current leases than it would from the developed complex. Discontinuing the development of Pier 1½, Pier 3, and Pier 5 will hinder the Port's ability to meet its state bond payments because the Port would earn more revenue if these ports were developed. We also reported that the Port of San Francisco's share of cargo tonnage shipped through Bay Area ports has declined since 1980. However, the Port has been successful recently in increasing its tonnage and market share of cargo from regularly scheduled shipping companies.

In Report F-669, we noted that the Department of Fish and Game is not complying with recent legislation affecting fishing licenses consigned to agents for sale to the public. Because of its interpretation of this legislation, the department has allowed license agents to return certain unsold expired licenses after the return

deadline, has not adequately documented whether license agents promptly report losses, has not assessed penalties, and has not determined whether all license agents have appropriate bond values. Our review did reveal, however, that the department has improved its administration of commercial fishing activities.

In response to our recommendation in Report P-635, the Port of San Francisco drew up a resolution to negotiate an agreement with the Department of Finance. According to the terms of this resolution, the Port will place \$3.8 million into a reserve account to ensure the payment of its general bond obligations in the future.

The Department of Fish and Game, in response to our recommendations, has requested an interpretation by the Attorney General's Office regarding the billing of agents for unsold, expired licenses that were consigned before the new legislation was passed. The department has also requested that the Legislature change the 24-hour reporting deadline that agents must now honor when reporting the loss of licenses consigned to them.

INVESTIGATIONS OF FRAUD, WASTE, AND ABUSE

In fiscal year 1986-87, the Office of the Auditor General issued two reports of investigations, completed by the Investigative Unit, of fraud, waste, and abuse in state government:

Public Reports of Auditor General	I-708
Investigations Completed Between	
April 1, 1986 Through December 31, 1986	

Public Reports of Auditor General	I-738
Investigations Completed Between	
January 1, 1987 and June 30, 1987	

Since January 1, 1980, the Auditor General has operated a statewide, toll-free telephone hotline to allow state employees and the general public to report improper governmental activities. Allegations made through the hotline are followed up by the Investigative Unit and, if they are substantiated, appropriate disciplinary action is taken against the wrongdoers. As a result of the investigation of complaints received over the hotline, guilty state employees have been fired or reprimanded, misappropriated state funds have been recovered, and systems to help prevent improper governmental activities from recurring have been strengthened.

In fiscal year 1986-87, the Investigative Unit completed 37 investigations. Fifteen investigations involved time and attendance abuse, 17 concerned the misuse of state resources, and 2 concerned conflicts of interest; 3 others involved the waste of state funds, a poor administrative decision, and false travel claims. These 37 investigations resulted in one dismissal and one resignation from state

service, 7 suspensions, 14 reductions in salary, 7 formal reprimands, and 12 informal admonishments. In 12 cases, state employees repaid misappropriated funds, and in 13 cases, controls designed to prevent improper governmental activities were strengthened.

For example, the University of California, Los Angeles, recovered over \$500,000 after we investigated an allegation that a professor used state resources to support his private commercial activities. In another instance, eight officials with the Department of Social Services were demoted and received salary reductions ranging from \$402 to \$1,143 per month after we determined that they had interfered with the sampling procedures used to randomly select cases for quality assurance review by the Social Security Administration. In another case, the Air Resources Board discontinued the use of private vehicles for testing after we determined that over \$14,000 had been spent to provide rental vehicles to the owners of two vehicles that were valued at \$5,300. Finally, because of one of our investigations, the Board of Equalization will require all district audit supervisors to maintain a daily log of their field visits and to inform the district principal's secretary of their destination and time of departure. Our investigation revealed that a district audit supervisor rarely or infrequently visited his staff, even though his travel expense claims showed 106 days of field visits out of 151 days worked.

**CATALOG OF AUDIT REPORTS
JULY 1, 1986 TO JUNE 30, 1987**

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Auditor General Investigations	Public Reports of Auditor General Investigations Completed Between April 1, 1986 Through December 31, 1986 (I-708)
	Public Reports of Auditor General Investigations Completed Between January 1, 1987 and June 30, 1987 (I-738)
Automobiles	The Bureau of Automotive Repair Could Improve Its Administration of the Smog Check Program (P-464)
Business Development	A Review of the Enterprise Zone Act (P-442)
Cal Expo	Status Report and Financial Audit Report of the California Exposition and State Fair, Year Ended June 30, 1986 (F-618)
California State University	Review of the Fiscal and Administrative Management of the California State University, Long Beach Foundation, and the California State University, Long Beach (F-633)
Cash Management	State Agencies Need To Improve Their Cash Management Procedures (F-506; Alcoholic Beverage Control, Housing and Community Development, Insurance, California State University, Forestry, Industrial Relations, Public Utilities Commission, Contractors' State License Board)
Child Care Programs	The State Department of Education's Verification of AFDC Enrollment in State Child Care Programs (P-639)
Community Agencies	Audit of the Department of Economic Opportunity (F-511)
Community Care	The Department of Social Services Could Reduce Costs and Improve Compliance With Regulations of the In-Home Supportive Services Program (P-630)

Subject	Report Title
Community Colleges	A Review of the Financial Condition of School Districts, County Offices of Education, and Community College Districts in California (F-637)
Conflict of Interest	A Review of Potential Conflict of Interest at the California Transportation Commission (P-723)
Contracts	Better Fiscal Controls Are Needed at the University of California, Santa Barbara, and the UCSB Foundation (P-663)
	A Review of the Department of Corrections' Program Management and Construction Management Contracts (P-569)
	Follow-up Review of the Department of Transportation's Contract for the I-580 Interchange at Castro Valley (P-523)
Disability Benefits	The Employment Development Department Needs To Improve Its Disability Insurance Program (P-430)
Education	A Review of the Hughes-Hart Educational Reform Act of 1983 (P-510)
Employment and Housing	A Review of the Department of Fair Employment and Housing (P-636)
Family Practice Residency Training Program	Review of the State and Federal Grants and Contracts Awarded to the University of Southern California for the Family Practice Residency Training Program (F-622)
Financial Reports	An Evaluation of the Financial Reporting System of the State of California (F-626)
Fish and Game Revenues	A Review of the Department of Fish and Game (F-669)
Flood Victims	The Department of Social Services Could Have Assisted Flood Victims More Quickly (P-661)
Foundations	Better Fiscal Controls Are Needed at the University of California, Santa Barbara and the UCSB Foundation (P-663)

Subject	Report Title
Foundations (continued)	Review of the Fiscal and Administrative Management of the California State University, Long Beach Foundation, and the California State University, Long Beach (F-633)
General Purpose Financial Statements	State of California, Financial Report, Year Ended June 30, 1986
Group Home Rates	The Department of Social Services Does Not Use Information From Its Audits To Adjust Rates for Group Homes That Receive Funds From the Aid to Families With Dependent Children-Foster Care Program (P-540)
Hastings College of the Law	Hastings College of the Law Needs To Improve the Management of Its Real Property (P-624)
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